



Senate

General Assembly

File No. 538

February Session, 2002

Substitute Senate Bill No. 35

Senate, April 18, 2002

The Committee on Finance, Revenue and Bonding reported through SEN. LOONEY of the 11th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING PERIODIC REVALUATION OF REAL PROPERTY BY MUNICIPALITIES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (h) of section 12-62 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective from*
3 *passage*):

4 (h) (1) Nothing in this section shall be construed as prohibiting a
5 town from electing to effect a revaluation of real estate earlier than the
6 year of next revaluation, as designated in subsection (b) of this section.

7 (2) [A] On and after October 1, 2002, a town electing to effect its next
8 revaluation earlier than required pursuant to subsection (b) of this
9 section shall effect its next subsequent revaluation [for the assessment
10 date commencing four years following the effective date of the
11 revaluation so implemented] on the assessment date that is four years
12 after the date provided in said subsection (b) which date is applicable

13 to the revaluation which is being effected earlier.

14 Sec. 2. Section 12-62 of the general statutes is amended by adding
15 subsection (k) as follows (*Effective from passage*):

16 (NEW) (k) (1) As used in this subsection: (A) "Coefficient of
17 dispersion", "commercial property", "market sale", "median ratio",
18 "price related differential", "property class", "ratio", "residential
19 property" and "vacant land" have the same meanings as the definitions
20 of those terms in the regulations adopted under section 12-62i.

21 (2) Notwithstanding the provisions of this section, a town shall be
22 exempt from performing its next scheduled revaluation if, as of the
23 date that calculations pursuant to this subsection are performed: (A)
24 The overall level of assessment for all property classes is within plus or
25 minus ten per cent of the seventy per cent assessment ratio required
26 under subsection (b) of section 12-62a, as measured by the overall
27 median ratio; (B) the level of assessment for each property class for
28 which there are fifteen or more market sales is within plus or minus
29 five per cent of the median overall level of assessment for each such
30 property class; (C) the coefficient of dispersion for each property class
31 for which there are fifteen or more market sales is equal to or less than
32 (i) fifteen per cent for all property; (ii) fifteen per cent for residential
33 property; (iii) twenty per cent for commercial property; and (iv) twenty
34 per cent for vacant land; and (D) the price related differential for each
35 property class for which there are fifteen or more market sales is
36 within 0.98 and 1.03. The provisions of this subsection shall terminate
37 on October 1, 2007, and shall not apply to any revaluation scheduled to
38 be implemented on or after said date.

39 (3) In order to claim exemption under this subsection from the
40 requirement to implement a revaluation pursuant to subsection (b) of
41 this section, a town shall perform the calculations required by this
42 subsection not earlier than April second and not later than April tenth
43 of the calendar year preceding the October first assessment date on
44 which such revaluation pursuant to subsection (b) of this section is
45 required to be effective, except that a town scheduled to implement a

46 revaluation on October 1, 2003, may perform such calculations not
47 later than thirty days after the effective date of this section. Such
48 calculations shall be based on market sales that occurred between
49 October first of the previous calendar year and April first of the
50 calendar year in which such calculations are performed, provided if
51 the total number of market sales occurring in said period is less than
52 thirty, the time period prior to said October first shall be extended in
53 monthly increments until the number of market sales is equal to or
54 greater than thirty, but in no event shall such time period be extended
55 for more than twelve months prior to said October first. The assessor
56 may adjust the sales price of any property to take into account: (A) The
57 fact that the property sold is subject to a lease that does not represent
58 market rent, as defined in section 12-63b; (B) the inclusion of personal
59 property in the price paid for real property that was sold; or (C) any
60 other factor the assessor deems appropriate provided there is objective
61 criteria substantiating any such adjustment and the reason for such
62 adjustment is documented by the assessor. In the event the time period
63 is extended under the provisions of this subsection, the assessor may
64 also adjust the sales price of any property sale occurring in said
65 extended time period to take into account the effect of a price change
66 in the real estate market between the date of sale and the date such
67 calculations are performed. Information concerning such market sales
68 and the statistical analyses of such sales shall be available for public
69 inspection for not less than one year from the date a town certifies its
70 exemption from the requirement to implement its next scheduled
71 revaluation, provided the Secretary of the Office of Policy and
72 Management does not rescind such exemption, pursuant to section 3 of
73 this act.

74 (4) Any town that meets the criteria set forth in this subsection shall,
75 not later than five days after the calculations required by this
76 subsection are performed, certify its exemption from the requirement
77 to implement its next scheduled revaluation pursuant to subsection (b)
78 of this section to the Secretary of the Office of Policy and Management.
79 Such certification shall be signed by the chief executive officer and the
80 assessor and filed in their respective offices and shall specify the

81 assessment date to which such exemption applies. The certification
82 submitted to the secretary shall be accompanied by documentation of
83 the town's compliance with the criteria delineated in this subsection, in
84 such form and manner as the secretary may require. Such
85 documentation shall include, but not be limited to: (A) Information
86 concerning all sales of real property for each property class that
87 occurred during the time period encompassed by the town's analyses;
88 (B) information concerning the market sales used in the analysis for
89 each property class during such time period; (C) documentation
90 concerning the reason used by the assessor to adjust the sales price of
91 each property and the dollar amount of the adjustment; (D)
92 documentation of the reason for not including a real property sale in
93 the analysis of any property class; and (E) the results of each of the
94 applicable calculations described in subdivision (2) of this subsection.
95 Each town that certifies an exemption from the requirement to
96 implement a revaluation pursuant to this subsection shall cooperate
97 with the secretary or the committee established pursuant to section 3 of
98 this act in promptly providing any information the secretary or the
99 committee may require. A copy of the certification of a town's
100 exemption from the requirement to implement its next scheduled
101 revaluation, as submitted to the secretary, shall be provided to the
102 town clerk of the town, who shall record such certification on the land
103 records. In the event the secretary rescinds such exemption, the
104 secretary's notice rescinding the town's revaluation exemption
105 certification shall be recorded on the land records.

106 Sec. 3. (NEW) (*Effective from passage*) (a) There shall be a committee
107 for the purpose of analyzing the data upon which a town bases its
108 certification of exemption from the requirement to implement a
109 scheduled revaluation on and after October 1, 2003, pursuant to section
110 12-62 of the general statutes, as amended by this act, together with all
111 data that was or should have been considered in completing the
112 calculations on which such exemption certification is based. Not later
113 than three months after the date on which the Secretary of the Office of
114 Policy and Management receives a town's certification of exemption
115 from such requirement, the committee shall complete its analysis and

116 shall submit a written report of its findings to the secretary. Such
117 report shall include the committee's opinion of the validity of the
118 exemption certification made by the town and a recommendation
119 regarding the secretary's action concerning such certification. Not later
120 than five days after receiving a report of the committee's findings, the
121 secretary shall send a written notice to the town, by certified or
122 registered mail, validating or rescinding the town's revaluation
123 exemption certification. The secretary shall validate the town's
124 exemption from the requirement to implement a revaluation as of the
125 October first of the calendar year next following, unless the committee
126 recommends that the secretary rescind such exemption.

127 (b) The committee shall consist of the following members appointed
128 by the Secretary of the Office of Policy and Management: (1) Five
129 persons appointed for two-year terms, at least one of whom shall
130 represent a municipality with a population of ten thousand or less, one
131 of whom shall represent a municipality with a population greater than
132 ten thousand but less than forty thousand, one of whom shall
133 represent a municipality with a population greater than forty
134 thousand, one of whom shall be a person who has demonstrated
135 competence in statistical analyses and one of whom shall be an
136 employee of the Office of Policy and Management; and (2) six persons
137 appointed for four-year terms, each of whom shall be certified
138 pursuant to section 12-40a of the general statutes, and shall be
139 employed by a municipality in the state in a position relating to the
140 assessment of property for purposes of the property tax, or shall have
141 been employed in such a position within five years preceding the date
142 on which such person is appointed. All committee members shall be
143 appointed not later than July 1, 2002. The secretary shall fill each
144 vacancy at the conclusion of a term. Each member of the committee
145 other than the representative from the Office of Policy and
146 Management shall serve without pay, provided a town shall reimburse
147 committee members for reasonable expenses they incur in analyzing
148 the data upon which the town based its certification of exemption. Any
149 person who ceases to be an employee of the Office of Policy and
150 Management or to be certified pursuant to said section 12-40a, shall

151 cease to be a member of the committee and the secretary shall appoint
152 a replacement to fill the remainder of such person's term. The
153 committee shall elect a chairperson and adopt rules and procedures for
154 complying with the requirements of this section, provided a member
155 of the committee shall not vote on the validity of a certification made
156 by the town in which such member (A) resides, (B) owns or has a
157 substantial interest in property subject to taxation, or (C) is a municipal
158 employee.

159 (c) The committee shall establish whether or not a town complied
160 with the requirements of section 12-62 of the general statutes, as
161 amended by this act, in effecting the required calculations, and
162 whether or not the assessor in performing the analyses for each
163 property class and for all real property: (1) Excluded market sales that
164 should have been included, (2) made adjustments to the sales prices of
165 property that were not based on objective criteria, not documented, or
166 not substantiated in terms of the reasons therefor, (3) included sales
167 that were not market sales, or (4) did not make necessary and
168 appropriate adjustments to the sales prices of real property. If the
169 committee finds that the town or the assessor did not conform to the
170 requirements of subsection (k) of section 12-62, as amended by this act,
171 and that such nonconformance materially affected the calculations on
172 which the town based its certification of exemption from the
173 requirement to implement a scheduled revaluation, the committee
174 shall recommend that the secretary rescind such exemption. If the
175 committee finds that the town or the assessor conformed to such
176 requirements, or did not conform to such requirements but that such
177 nonconformance did not materially affect the calculations on which
178 such certification was based, the committee shall recommend that the
179 secretary validate such exemption.

180 (d) In the event the Secretary of the Office of Policy and
181 Management rescinds a town's revaluation exemption certification, the
182 town shall implement a revaluation of all real property as soon as is
183 practicable, but in no event later than the October first next following
184 the date on which it was scheduled to implement the revaluation for

185 which the secretary rescinded the exemption certification. Any such
186 town shall be required to implement its next subsequent revaluation
187 for the assessment date that is four years after the assessment date for
188 which such exemption certification is rescinded and thereafter such
189 town shall implement a revaluation in accordance with the provisions
190 of subsection (b) of section 12-62 of the general statutes. Any such
191 town shall not be eligible to certify an exemption from the requirement
192 to implement a revaluation, pursuant to section 12-62 of the general
193 statutes, as amended by this act, any earlier than the date that is five
194 years after the date on which the town certified the exemption from
195 the requirement to implement a revaluation that the secretary
196 rescinded. If the secretary determines that such town's revaluation
197 exemption certification could not have been made unless the town
198 intentionally disregarded the provisions of section 12-62 of the general
199 statutes, as amended by this act, in order to subvert the requirement to
200 implement a scheduled revaluation, the secretary may impose a
201 penalty against such town. The secretary shall determine the amount
202 of such penalty and the method by which it shall be paid, which may
203 include subtracting such amount from any grant the payment of which
204 the secretary certifies to the Comptroller in the fiscal year in which the
205 penalty is imposed, or in the fiscal year next following. Prior to
206 imposing any such penalty, the secretary, or the secretary's designee,
207 shall hold a hearing and shall send a written notice to the town of the
208 date, time and place thereof not later than ten business days before
209 such hearing is scheduled. Not later than thirty days following the
210 conclusion of such hearing, the secretary shall determine if imposition
211 of a penalty is warranted and shall send a written notice of such
212 determination to the town. In the event the secretary imposes a
213 penalty, such notice shall state the amount of such penalty and the
214 method by which it shall be paid. The secretary shall send any notice
215 required by this section by certified or registered mail. Any town
216 aggrieved by the action of the secretary following such hearing or by
217 the amount of the penalty imposed may appeal to the superior court
218 for the judicial district wherein such town is located. Such appeal shall
219 be taken not later than ten business days after the date on which the

220 town receives the secretary's notice concerning such penalty. Any such
221 appeal shall be privileged.

222 (e) On and after July 1, 2002, the provisions of this section and
223 section 12-62 of the general statutes, as amended by this act, shall
224 supercede the provisions of any special act, charter or home rule
225 ordinance to the contrary concerning the year a revaluation is required
226 to be implemented.

227 Sec. 4. Subsection (c) of section 9-199 of the general statutes is
228 repealed and the following is substituted in lieu thereof (*Effective from*
229 *passage*):

230 (c) Notwithstanding the provisions of subsection (a) of this section
231 or of any special act, municipal charter or home rule ordinance, a
232 municipality may, by ordinance, authorize its legislative body to
233 appoint additional members to the board of assessment appeals for
234 any assessment year. [in which a revaluation becomes effective, for the
235 assessment year prior to such year of revaluation and for the
236 assessment year following such year of revaluation.]

237 Sec. 5. Subdivision (11) of section 12-81 of the general statutes is
238 repealed and the following is substituted in lieu thereof (*Effective from*
239 *passage*):

240 (11) Subject to the provisions of section 12-88, tangible property
241 owned by, or held in trust for, a religious organization, provided such
242 tangible property is used exclusively for cemetery purposes; donations
243 held in trust by a municipality, an ecclesiastical society or a cemetery
244 association, the income of which is to be used for the care or
245 improvement of its cemetery, or of one or more private burial lots
246 within such cemetery. Subject to the provisions of sections 12-87 and
247 12-88, any other tangible property used for cemetery purposes shall
248 not be exempt, unless (a) such tangible property is exclusively so used,
249 and (b) no officer, member or employee of the organization owning
250 such property receives or, at any future time, shall receive any
251 pecuniary profit from the cemetery operations thereof except

252 reasonable compensation for services in the conduct of its cemetery
253 affairs, and (c) in 1965, and quadrennially thereafter, a statement on
254 forms prepared by the [Secretary of the Office of Policy and
255 Management] assessor shall be filed on or before the last day required
256 by law for the filing of assessment returns with the local board of
257 assessors of any town, consolidated town and city or consolidated
258 town and borough, in which any of its property claimed to be exempt
259 is situated.

This act shall take effect as follows:	
Section 1	<i>from passage</i>
Sec. 2	<i>from passage</i>
Sec. 3	<i>from passage</i>
Sec. 4	<i>from passage</i>
Sec. 5	<i>from passage</i>

FIN*Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note**State Impact:**

Fund-Type	Agency Affected	FY 03 \$
GF - Cost	Office of Policy and Management	Minimal

Note: GF=General Fund

Municipal Impact:

Effect	Municipalities	FY 03 \$
Cost Savings	Various Municipalities	See Below

Explanation

There would be a cost savings to municipalities that qualify for an exemption to forego their next schedule revaluation. The estimated costs to conduct a revaluation are \$25 to \$50 per parcel. Costs vary among municipalities based on how diverse a municipality is and what portion of their grand list is residential.

There is a minimal administrative cost to the Office of Policy and Management to establish the 11-member board to review the accuracy of towns' statistical data and calculation used to apply for exemptions.

OLR Bill Analysis

sSB 35

AN ACT CONCERNING PERIODIC REVALUATION OF REAL PROPERTY BY MUNICIPALITIES**SUMMARY:**

This bill:

1. from October 1, 2003 to October 1, 2007, exempts a municipality from conducting its next scheduled revaluation if it can show through specific statistical calculations that the fair market value of both its properties in specific classes and all its properties is relatively stable;
2. starting October 1, 2002, requires a town that does its quadrennial revaluation ahead of its statutory schedule to follow the statutory schedule for its subsequent revaluations instead of doing its subsequent revaluation four years after its early revaluation date;
3. allows municipal legislative bodies to appoint additional members to the board of assessment appeals in any year, not just in the year when, before, or after a revaluation becomes effective;
4. requires religious organizations that own cemeteries to file their quadrennial statements that they meet the criteria for property tax exemptions with the local assessor rather than the Office of Policy and Management (OPM) secretary.

The bill establishes an 11-member committee appointed by the OPM secretary to review the accuracy of the statistical data and calculations towns use to certify revaluation exemptions. The committee consists of local assessors, representatives from towns of various sizes, people with expertise in statistical analysis, and an OPM employee.

The bill allows the OPM secretary to (1) rescind exemption certifications if the review committee finds a town did not comply materially with the bill and (2) impose unspecified monetary penalties on towns that deliberately use the bill's exemption to subvert revaluation requirements.

The bill's provisions concerning revaluation exemptions and early revaluations supersede contrary special acts, charters, and home rule ordinances, starting July 1, 2002.

EFFECTIVE DATE: Upon passage

EXEMPTION CRITERIA

Statistical Measures

To qualify for the exemption under the bill, a town must meet various statistical criteria that measure the stability of its property values. Most of the criteria compare sales prices to assessed values in various ways, both on a town-wide basis and within specific property classes. The bill sets limits on the degree of variation allowed for a town to qualify for the exemption. If its variations fall outside the limits, the town cannot qualify. Among the criteria the bill uses are (1) the "coefficient of dispersion," which measures how much assessment ratios on particular properties vary from typical ratios and (2) "price-related differential," which tests whether high- and low-valued properties within a particular class are assessed at the same level.

Specific Criteria

To be eligible for an exemption, a town must have a median assessment ratio for all property of between 63% and 77% (i.e. within 10% of the statutorily required 70% of fair market value). In addition, each property class with 15 or more market sales must have:

1. an assessment level within 5% of the median assessment level for all such classes,
2. a coefficient of dispersion no greater than (a) 15% for all property and for residential property and (b) 20% for commercial property and vacant land, and
3. a price-related differential between 0.98 and 1.03.

The bill takes its definitions of property types, "market sale," and statistical calculations from state regulations that set municipal revaluation standards (Conn. Agencies Reg., § 12-62i-1).

CALCULATIONS

Towns claiming exemptions must perform the required statistical

calculations between April 2 and April 10 of the year before the scheduled October 1 revaluation year. Towns scheduled for revaluation for the October 1, 2003 assessment year may claim an exemption if they perform the calculations within 30 days after the bill passes.

Under the bill, exemption calculations must be based on market sales occurring in the six months (i.e., between October 1 and April 1) immediately preceding calculations. If there were fewer than 30 such sales during that time, the period must be extended back in no more than 12 monthly increments from the beginning of the six-month period (i.e., to the preceding October 1) until at least 30 market sales are in the sample.

The bill allows the assessor to adjust the sales price of any property to take into account:

1. whether the property is leased for a below-market rent,
2. personal property included in the sale price, or
3. any other factor he considers appropriate and can document based on objective criteria.

If the time period is adjusted back to before the October 1 preceding the calculation, the bill also allows the assessor to adjust for real estate market price changes.

Information on market sales and the statistical analysis must be publicly available for at least one year before the town certifies its exemption from the next revaluation, unless the OPM secretary rescinds the exemption under the bill.

CERTIFICATION

Towns that meet the bill's statistical criteria must certify their exemptions to OPM within five days after performing their calculations. Certifications must be signed by the town's assessor and chief executive officer, filed in their respective offices, and submitted to the town clerk for filing on the town's land records. If the OPM secretary rescinds the certification, the secretary's rescission notice must also be filed on the land records.

Along with their certifications, towns must submit required documentation, including at least:

1. information on all real property sales in each property class during the time period its calculations cover;
2. information on market sales used in its analysis of each class;
3. amounts of, and reasons for, any sale price adjustments; and
4. the results of the required statistical calculations.

Towns must promptly provide the OPM secretary and the exemption review committee with any additional information either may require.

EXEMPTION REVIEW COMMITTEE

Duties

The bill establishes a committee to analyze data on which towns base their exemption certifications, as well as other data a town considered or should have considered in its calculations. The committee has three months after a town submits its certification to file a report of its findings with the OPM secretary. The report must give the committee's opinion on the validity of the town's certification and recommend action by the secretary.

In its analysis, the committee must determine whether a town complied with the bill's requirements in its calculations and whether its assessor:

1. excluded market sales he should have included;
2. made sales price adjustments that were not based on objective criteria, not documented, or not substantiated;
3. included sales that were not market sales; or
4. did not make necessary and appropriate sales price adjustments.

If it finds any of these shortcomings, and if it also finds they materially affected the town's calculations, the committee must recommend that the OPM secretary rescind the town's certification. If it finds the town's calculations were correct or that any mistakes did not materially affect them, it must recommend that the secretary validate the certification.

Membership

The review committee must have 11 members. Six members, who serve four-year terms, must be (1) OPM-certified assessment personnel

and (2) either currently, or within five years before appointment, employed in a municipal assessment position in a Connecticut town.

The remaining five members serve two-year terms and must include at least one:

1. representative of a municipality with a population of 10,000 or less;
2. representative of a municipality with a population of between 10,000 and 40,000;
3. representative of a municipality with a population of more than 40,000;
4. person competent in statistical analysis; and
5. OPM employee.

Appointments and Compensation

The OPM secretary must appoint all the committee members by July 1, 2002. He must fill vacancies at the end of the terms or to fill out unexpired terms of members who no longer qualify because they cease to be either certified assessors or OPM employees. All members, except the OPM employee, must serve without pay. Towns applying for exemptions must reimburse members for their reasonable expenses in analyzing their data.

The committee must elect its chairman and adopt rules and procedures for carrying out its duties. No member may vote on the validity of a certification from a town where he (1) lives, (2) owns or has substantial interest in taxable property, or (3) is a municipal employee.

VALIDATING OR RESCINDING CERTIFICATIONS

Unless the review committee recommends rescinding the certification, the secretary must validate the town's exemption as of the following October 1. The secretary must validate or rescind the town's certification and notify the town of his decision by certified or registered mail within five days of receiving the committee's report.

If the secretary rescinds the certification, the town must revalue its real property as soon as possible and no later than the October 1 following the scheduled revaluation date for which its certification is rescinded. (It is not clear whether the rescission decision can be appealed to court under the Uniform Administrative Procedure Act.) Such a town must

also implement its next revaluation four years after the assessment date for which the exemption is rescinded and follow its statutory revaluation schedule thereafter. The town remains ineligible for an exemption for five years after the date of its rescinded certification, although this provision appears to be unnecessary since the bill's exemption provisions remain in effect for only four years.

PENALTIES

If the OPM secretary determines that a town deliberately disregarded the bill to subvert revaluation requirements, he may impose a monetary penalty on it. The secretary decides the penalty amount and payment method, which can include withholding money from state grants in the year of the penalty or the following year.

Before imposing a penalty, the secretary or his designee must hold a hearing and give the town at least 10 business days' written notice of its date, time, and place. The secretary has 30 days after the hearing to decide whether to impose a penalty and to notify the town in writing, by certified or registered mail, of his decision. If he imposes a penalty, the notice must include the penalty amount and payment method.

A town can appeal the secretary's decision to the Superior Court for the judicial district where it is located within 10 business days after it receives the penalty notice. The bill requires such appeals to be privileged.

BACKGROUND

Related Bill

sSB 74 (File 148), "An Act Concerning Periodic Revaluation of Real Property By Towns," shares many provisions with this bill. But, sSB 74 does not (1) sunset the revaluation exemptions on October 1, 2007; (2) establish the exemption review committee and procedures; (3) allow the OPM secretary to penalize towns that try to use exemptions to subvert revaluation requirements; or (4) expressly override contrary special acts, charters, and home rule ordinances. In addition, the exemption qualifying statistical measures sSB 74 requires towns to meet are slightly different from the ones in this bill.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 40 Nay 1